Bentson, Teri J - (terim)

From:	Paul August <paugust@icagen.com>
Sent:	Thursday, March 21, 2019 8:31 AM
To:	Base Horner (base@VENTCAPLLC.com); David Perry; David Smallhouse; Fletcher McCusker; Garry Brav; Jacobs, Mary; kfwertman@gmail.com; Kissy Black; Matthew Lingard; nsimon@venturewest.com; Ray Woosley; Tasto, Joe; Thomas Koch; Robbins, Robert - (rcr536); 'Joe Snell'; 'Pete Bantock'; Nina Ossanna (nossanna@pharosdx.com)
Cc:	Lisa Bender; anitab@azinnovation.com; Johnston, JJ; Castro, Veronica R - (vcastro)
Subject:	OVIL - Please Vote on new BOD members
Attachments:	LMH - 2018.docx; Short Bio Hesterlee 2-2019.docx

Dear OVIL Board of Directors,

As you may know there is no meeting this month due to challenging schedules. The next meeting will be on April 10th at the Oro Valley Town offices at 11:30 AM. Since we are not meeting this month we would like to take care of some business for OVIL online this month.

We have nominations from the executive committee to add two additional board members to the Board of Directors. These nominations are for individuals who have had a significant impact on our the life science and entrepreneur community as well as donated technical supported for our operations. The executive committee would like to nominate

1. Sharon Hesterlee, PhD (CEO, Lion Therapeutics)
   a. Formerly with MDA in Tucson, she started their venture philanthropy program and was at Pfizer and now is the CEO of a gene therapy company.
2. Lawrence M. Hecker, JD Hecker PLLC
   a. Strong supporter of the local Tucson entrepreneur environment and legal expert in newco formation.

   Please find supporting materials for their nominations attached. If you could please respond to this e-mail and provide your vote on these nominations as soon as possible it would be appreciated. We need more than 13 votes to make it official so that we may invite them to the April 10th meeting as members of the BOD.

On another note we have been making great progress on the fundraising efforts. We continue to have strong support from the community and service providers to help reach our goal. We have some great news that we will look to announce at the meeting on April 10th.

Best Regards,

Paul

PS. There will likely be an article in the Tucson Daily Star about OVIL on Sunday with your names mentioned as members of the BOD. If there is anything that you feel should be highlighted please reach out and let me know. This will be the first major mention of the project in the media. Thanks to Kissy Black and her team so much for getting our online presence rebranded with our new identity and website.

www.OVIL.org

PSS. Kudos to JJ and Mary last night at the Oro Valley Town Council. They did a great job on the Economic Development Plan for OV and JJ's presentation was well received. There was a lot of support from the town council for OVIL and our collective efforts to drive economic development in the life science sector!

Paul R. August, PhD
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Lawrence M. Hecker is the managing partner of Hecker PLLC.

Mr. Hecker's law practice focuses primarily in the areas of corporate and general business law, securities regulation, real estate, business start-up, capital formation transactions, corporations, mergers and acquisitions and corporate finance. Mr. Hecker is a frequent panelist and speaker on securities regulations and corporate law and capital formation education seminars.

Mr. Hecker received both his Bachelor of Arts degree (1969) and his Juris Doctor (1972) from the University of Arizona. He was on the Board of the Arizona Department of Transportation from 1979 through 1983, serving as Chairman in his last year, and was Chief of Staff to Governor Bruce Babbitt from 1983 through 1984. He has served as Chairman of the Securities Regulations Section of the State Bar of Arizona and is a member of the Securities Regulations and Business Law Sections of the State Bar of Arizona.

Mr. Hecker is Professor of Practice at the University of Arizona, College of Law teaching Law and Entrepreneurship.

Mr. Hecker is listed in the 1991-2019 editions of *Best Lawyers in America* in the areas of Corporate Law, Business Organizations, Venture Capital Law and Corporate Governance Law and holds an AV Preeminent Rating with Martindale Hubbell. He is included in Arizona's Finest Lawyers - 2019

Boards and Committees (Partial List)

- Member – Board of Directors, Desert Angels (Angel Capital Network)
- Past Chair – Pima County Bond Advisory Committee
- Past Chair – TREO Economic Blueprint Steering Committee
- Founder – IdeaFunding
- Past Chair, Board member – Downtown Tucson Partnership
- Member – Tucson Airport Authority
- Member – Citizens Advisory Committee, Regional Transportation Authority
- Member – Sun Corridor Board of Directors (Regional Economic Development)

Other Activities and Honors

- Selected Tucson's Best Lawyer of the Year for 2010 and 2016 in the area of Corporate Law
- Tucson Chamber of Commerce "Man of the Year" Award for 2008
- U of A McGuire Center for Entrepreneurship – Business/Law Exchange Award, 2008
- U of A James E. Rogers College of Law – Distinguished Alumnus Award, 2008
- U of A McGuire Center for Entrepreneurship – Entrepreneurial Fellow, 2007
- Regional Chair, Victory Together – Yes on 300 (MLK Day) Committee
- Community Service Honoree, Tucson Urban League, 1997
- Recipient, 1997 Attorney General's Civil Rights Division Award

- Co-Founder, Tucson-Pima Anti-Hate Crime Task Force
- Recipient of Tucson Regional Economic Opportunity's 2007 Volunteer of the Year Award
- MLK Holiday Drum Major Award

Bentson, Teri J - (terim)

From: Larry Scott <lscott@pac-12.org>
Sent: Sunday, November 18, 2018 10:41 PM
To: Robbins, Robert - (rcr536); Dr. Michael M. Crow; Carol Christ; Philip P. DiStefano; Michael H. Schill; Edward Ray; Marc Tessier-Lavigne; Gene Block; Wanda Austin; Ruth Watkins; Ana Mari Cauce; Kirk Schulz
Subject: Pac-12 Media Rights presentation
Attachments: 20181117 Pac-12 Opportunity Overview.pdf

Dear CEO Group,

As a follow up to our productive discussion in San Francisco, please find attached an overview presentation on market trends and strategic options for the Pac-12. Also pasted below is a secure link to additional materials with information we are obligated to keep confidential per our existing contracts. These additional materials cannot be downloaded or printed.

Link: https://pac12.box.com/v/p12suppmat

If anyone has any questions about this presentation or materials, or if we can be helpful in your discussions on campus, please let me know. Also, as discussed, we will be in touch with your offices to arrange a CEO Group conference call in ~four weeks to discuss feedback and any next steps.

Finally, as is our standard protocol, we will be sharing these materials in a timely manner with ADs and campus CFOs along with an offer to brief them in more detail.

Thanks and let me know if you have any questions.

Best regards,

Larry

--
Larry Scott
Commissioner
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Pac-12 Opportunity Overview

Discussion Materials

November 16, 2018

Table of Contents

Executive Summary

- While the Pac-12 has been highly successful with its media rights strategy to-date, **we believe it is prudent to review long-term strategy** as the market rapidly evolves through the introduction of new digital distribution channels
  - Consumption patterns are indeed shifting, but we believe worries of mass cord-cutting remain overblown and that Pay-TV still has a long runway of profitability which will benefit sports rights holders
  - Further, we believe the growth of new digital platforms presents greater opportunities for monetization of sports rights through increased competition and the possibility of direct-to-consumer offerings; importantly, these digital platforms have already begun to acquire second tier sports rights

- As a premium live sports content owner, the Pac-12 will have many strategic options available to monetize its rights for member schools. We believe **there are three primary options** for the Pac-12 to consider; each option has benefits and considerations that are discussed on the following pages:

  (1) **Wait on making any key decisions**: The Pac-12 has several years before any key contracts come up for renewal and can wait to see how the media market develops

  (2) **Renew with existing rights holders today**: Sign contract extensions with similar segmentation of rights between distributors (e.g. Fox/ESPN) and the Pac-12 Networks

  (3) **Align with strategic/financial partner to capitalize value of commercial rights:** Contribute Pac-12 media rights to NewCo and raise equity from a strategic and/or financial partner to provide near-term cash distribution; note the Pac-12 has already equitized it's commercial assets through the creation of the Pac-12 Networks, this option simply expands upon this strategy by including the tier 1 rights (and possibly more) within a NewCo

- With any of these strategies, we think the Pac-12's number one priority should be preserving flexibility and optionality to capitalize on market trends and new monetization opportunities

- The Pac-12 is well positioned and can be patient as it considers its next move. A lot will change in the distribution landscape over the next five years and we would caution against a short term win that may have significant long term implications

I. Media Market Trends & Impact on Sports Rights

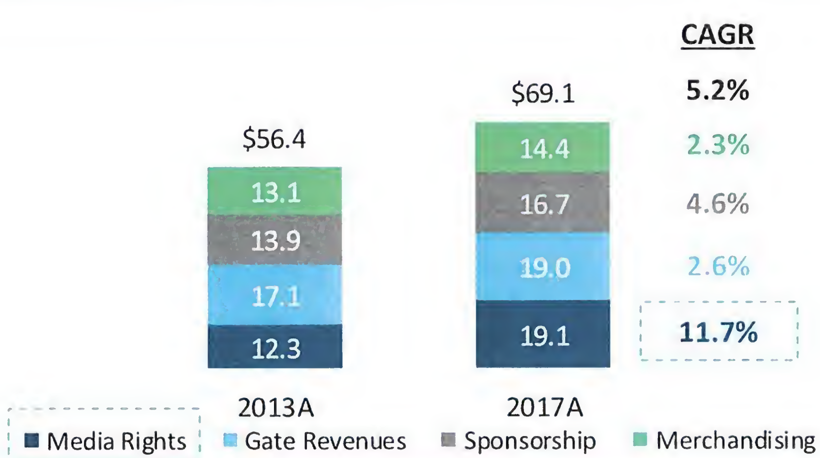
Sports: The World's Premium Content

($ in billions)

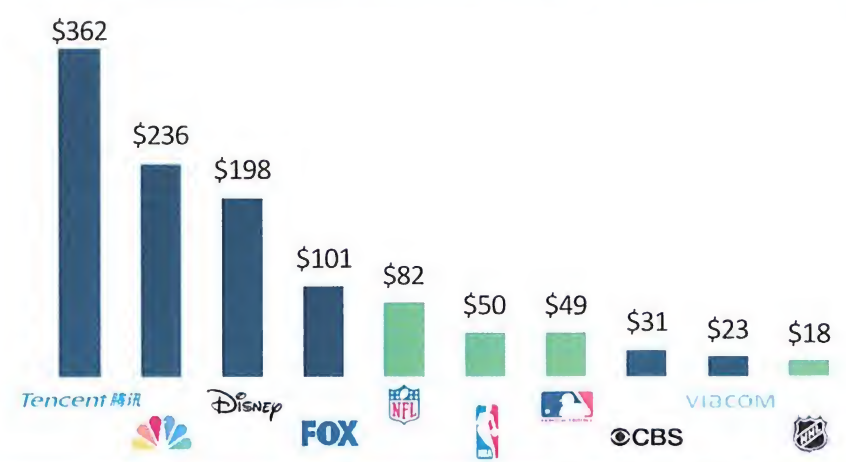
Premium content owners are uniquely and powerfully positioned to maximize the value of their rights in a world of rapidly changing and competitive distribution

- Since our inception, we have maintained a dedicated sports practice. Our thesis is built upon a few key beliefs:
  - Sports are global and permanent cultural institutions
  - Live sports is the most powerful content engine in the world -- unlike other forms of content, sports resists the value leakage facing the digital world (e.g. "DVR-proof") and is leading to significant new growth opportunities
  - The global sports industry is big business -- major professional leagues are some of the largest media and entertainment companies in the world and franchises consistently trade for billions of dollars...
  - ...Yet sports properties still have many opportunities to create and unlock substantial asset value

Global Sports Historical Growth ($bn)[1]



Leagues vs. Traditional Media (EV)[2]



[1] PwC Outlook for the Global Sports Market (October 2018).
[2] Capital IQ as of November 6, 2018; Forbes.

Changing Media Consumption Habits: Threat or Opportunity?

Value in media distribution ecosystem is shifting towards technology providers, threatening traditional distributors of sports media but opening new doors for rights owners

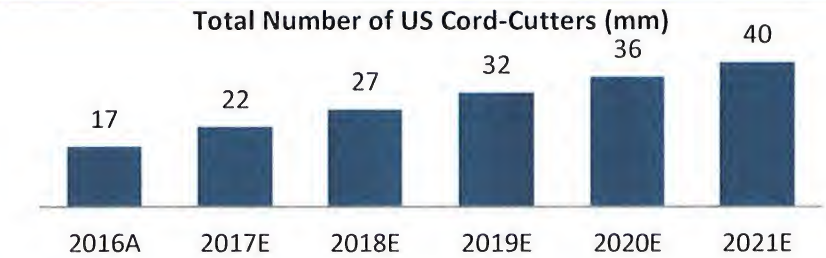
1. LINEAR TV CONSUMPTION CONTINUES TO DECLINE AS CONSUMERS CHOOSE ALTERNATIVE ON-DEMAND SERVICES

2. INCREASED MOBILE, NON-LINEAR AND ON-DEMAND MEDIA CONSUMPTION PLACES PRESSURE ON TRADITIONAL MEDIA MODELS

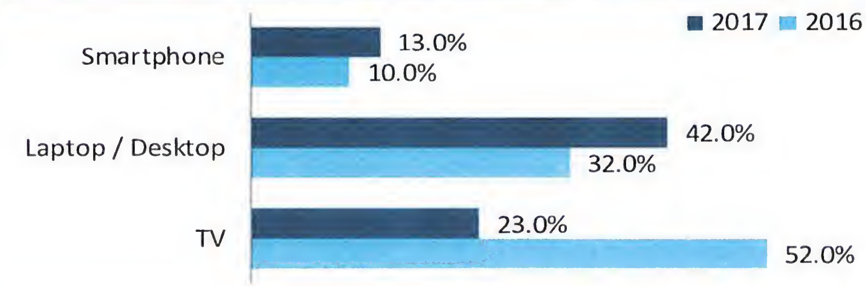
3. TRADITIONAL MEDIA IS PRIORITIZING THE BUILDOUT OF MULTI-CATEGORY OFFERINGS BY INVESTING IN TALENT, CONTENT PRODUCTION, STREAMING TECH AND M&A

4. COMPETING AGAINST WELL-CAPITALIZED TECHNOLOGY COMPANIES WITH SIGNIFICANT RESOURCES AND MARKET VALUATIONS THAT DWARF THOSE OF TRADITIONAL MEDIA

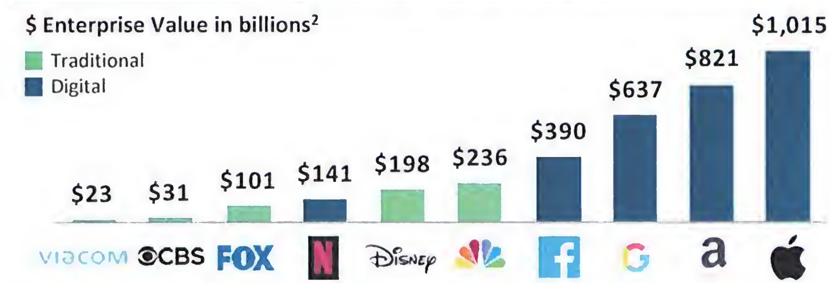
Cord-Cutting Continues



Preferred Devices for Viewing TV Shows[1]



Traditional Media vs. FAANG



Source: Bank of America (2017-Sept-07).
[1] According to internet users worldwide, April 2017.
[2] Capital IQ as of November 6, 2018.

Pay-TV Subscriptions More Resilient than Market Sentiment

Worries of mass cord-cutting are legitimate but Pay-TV subscriptions are declining marginally despite the introduction of myriad OTT and cable replacement services

U.S. Pay-TV Subscriptions (mm)

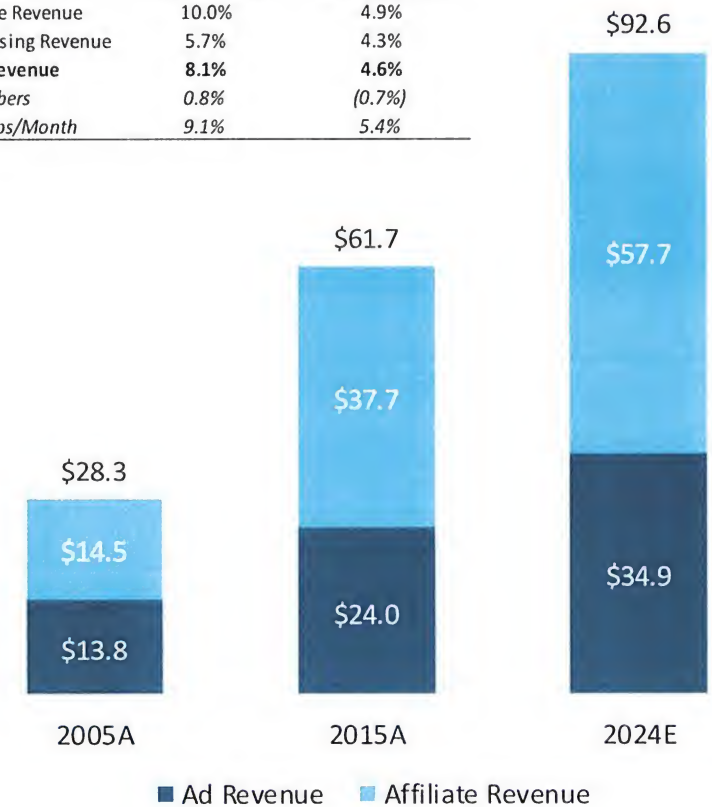
Pay-TV players are benefiting from the launch of vMVPDs and skinny bundles, which are slowing the decline in overall Pay-TV subscriptions

Satellite Providers are Losing Subscribers Disproportionately

Overall Pay-TV	*(0.2%)*	*(0.6%)*	*(1.0%)*	*(1.0%)*
Traditional Cable	*(2.9%)*	*(2.3%)*	*(2.1%)*	*(1.9%)*
Traditional Satellite	*(4.6%)*	*(5.7%)*	*(6.0%)*	*(5.5%)*

Projected Cable TV Revenue Growth

	CAGR	
	2005A-2015A	**2015A-2024E**
Affiliate Revenue	10.0%	4.9%
Advertising Revenue	5.7%	4.3%
Total Revenue	**8.1%**	**4.6%**
Subscribers	*0.8%*	*(0.7%)*
Fee/Subs/Month	*9.1%*	*5.4%*

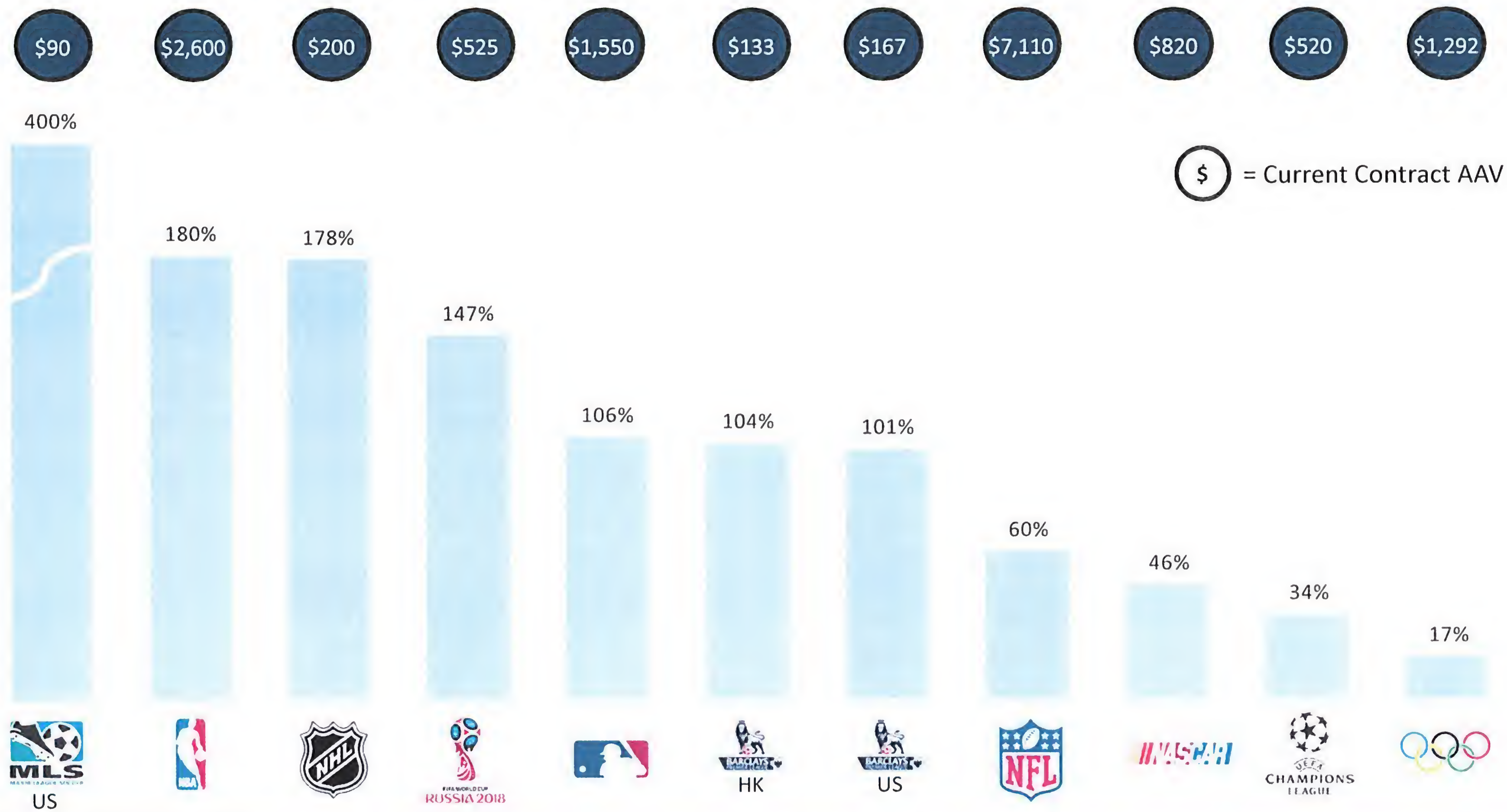


Increasing Value of Sports Media Rights

Contract Values as of September 2018

($ in millions)

Leagues / franchises across various levels of play have seen tremendous growth in the value of their media rights, especially within the past decade



Source: Forbes, NYT, Barclays, Statista.

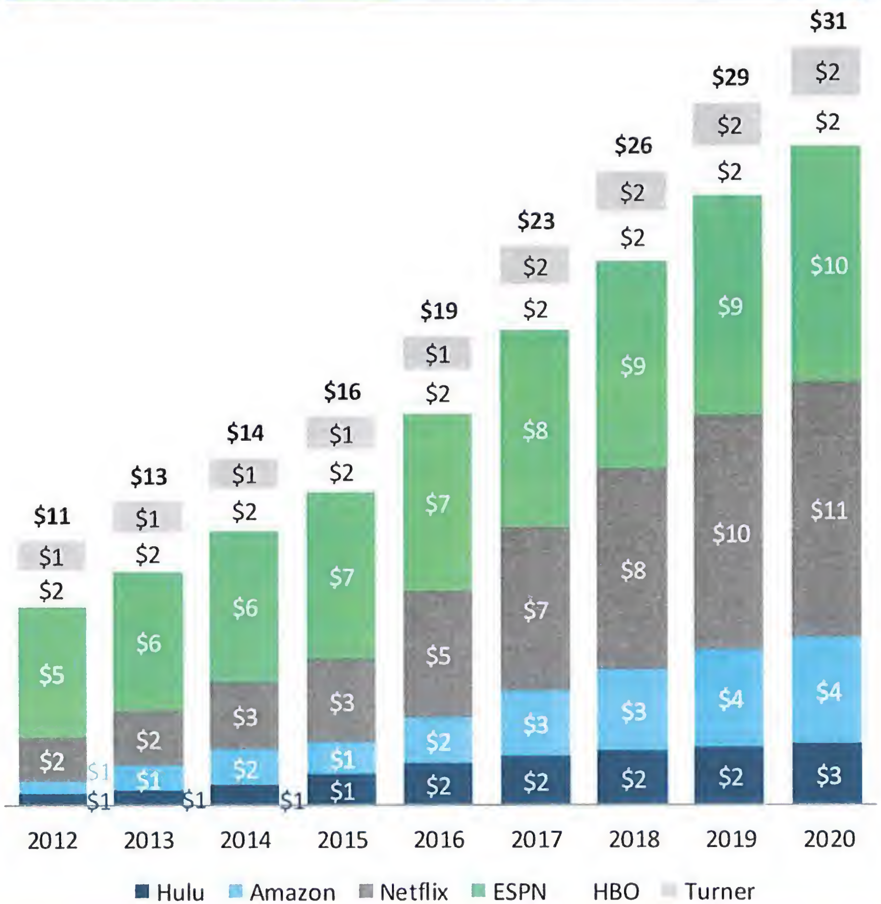
Note: Latest contracts as of September 2018, excluding digital streaming rights. AAV = average annual value. AAV growth is growth over previous contract.
AAV for World Cup and Olympics = average event value

New Media Platforms

OTT Players Represent an Additional Opportunity for Sports Content Owners

New Media Platforms have massive content budgets and are forecasted to spend more than $30bn on content by 2020; while spend on sports content to-date has been limited, we are already seeing these platforms test the markets with smaller deals

Annual Content Investment ($bn)



Source: Video Advertising Bureau, Capital IQ.

Select OTT Media Rights Deals

amazon / Thursday Night Football — *$130mm over 2 Years for Digital OTT Streaming*

Facebook / Major League Baseball — *$33mm for Exclusive National Rights to 25 Wednesday Afternoon Games in 2018*

verizon / NFL — *$2.25bn over 5 Years for Non-Exclusive Digital Mobile Streaming Rights*

Illustrative Dedicated Sports Streaming Platforms

DAZN, fuboTV, ESPN+, Eleven Sports, FloSports

New Media Platforms (cont.)

Major platforms are distributing a meaningful amount of sports content today

($ in millions)

Platform	Properties	Value Driver	Sports Rights Strategy
Facebook	CrossFit, ESL, Champions League, MLS, MLB, Golden Boy, BIG3, USA Basketball, MX, WSL, Nitro Circus	▪ User engagement ▪ Customer data	▪ Spent +$1bn on programming in 2017; plan to spend +$1bn again to fund original content initiatives in 2018 ▪ Experimenting with all kinds of live sports streaming through Facebook Watch and profile pages of leagues and teams where rights are owned
amazon	Thursday Night Football, Laver Cup, avp, Overwatch League, Premier League*, ATP Finals*, USTA*, Eurosport*, US Open*	▪ Marketplace sales	▪ Spent +$4.5bn on content in 2017, with plans to spend $5bn on video content in 2018, including big-budget originals and live sports ▪ Goal to add as much value to Prime bundle as possible ▪ International expansion into ~200 countries with focus on local content
Twitter	MLB, PGA Tour Live, WNBA, NHL, National Lacrosse League, MLS, NWHL, Pac-12	▪ User engagement ▪ Ad sales	▪ Ideal partner for leagues / teams as the user engagement experience is easily accessed via platform ▪ Challenge will be converting live sports deals to bottom-line as platform better suited for short-form content
YouTube	MLB, NBA, MLS, Europa League, Champions League, Dota 2, Hockey World League	▪ User engagement ▪ Subscription revenue	▪ Focused on bolstering new YouTube TV platform and driving engagement for ad-supported free user base ▪ Indirectly acquiring live sports right via broadcast channel deals with existing rights
verizon	NFL, NBA, MLB, NHL	▪ Subscription revenue ▪ Ad sales	▪ Entered 5-year, non-exclusive digital mobile streaming rights deal with the NFL in 2018 worth $450mm annually ($2.25bn total) ▪ Struck deal with the NBA to offer League Pass subscription across all of its platforms

Source: Wall Street Research. Press Releases.

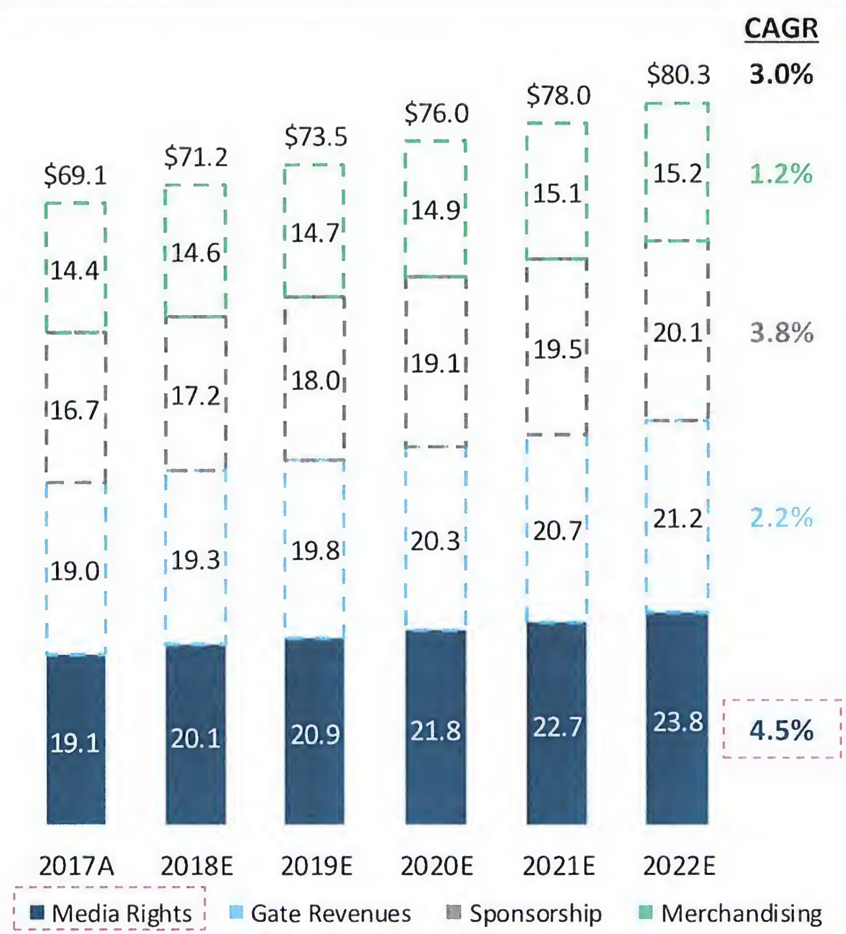
** Reflects rights in the UK only*

Sports Remains King and the Opportunity Continues to Grow

Sports industry is expected to thrive with media rights leading the way

Live sports remains the king of content – this is a unique point in time for the Pac-12 to reconsider how it approaches the monetization of its media rights

North American Sports Market ($bn)[1]



Evolution of National Sports Rights Purchasers

	1985	2005	2024E
Aggregate Rights Value[2]	~$550mm	~$7bn	>$25bn

[1] PwC Outlook for the Global Sports Market (October 2018)

[2] PwC (Historical for 2005); 2024E estimated based on 4.5% CAGR from 2022E – 2024E. 1985 estimated from historical NFL, MLB, NBA and NHL contracts reported by Kagan Media.

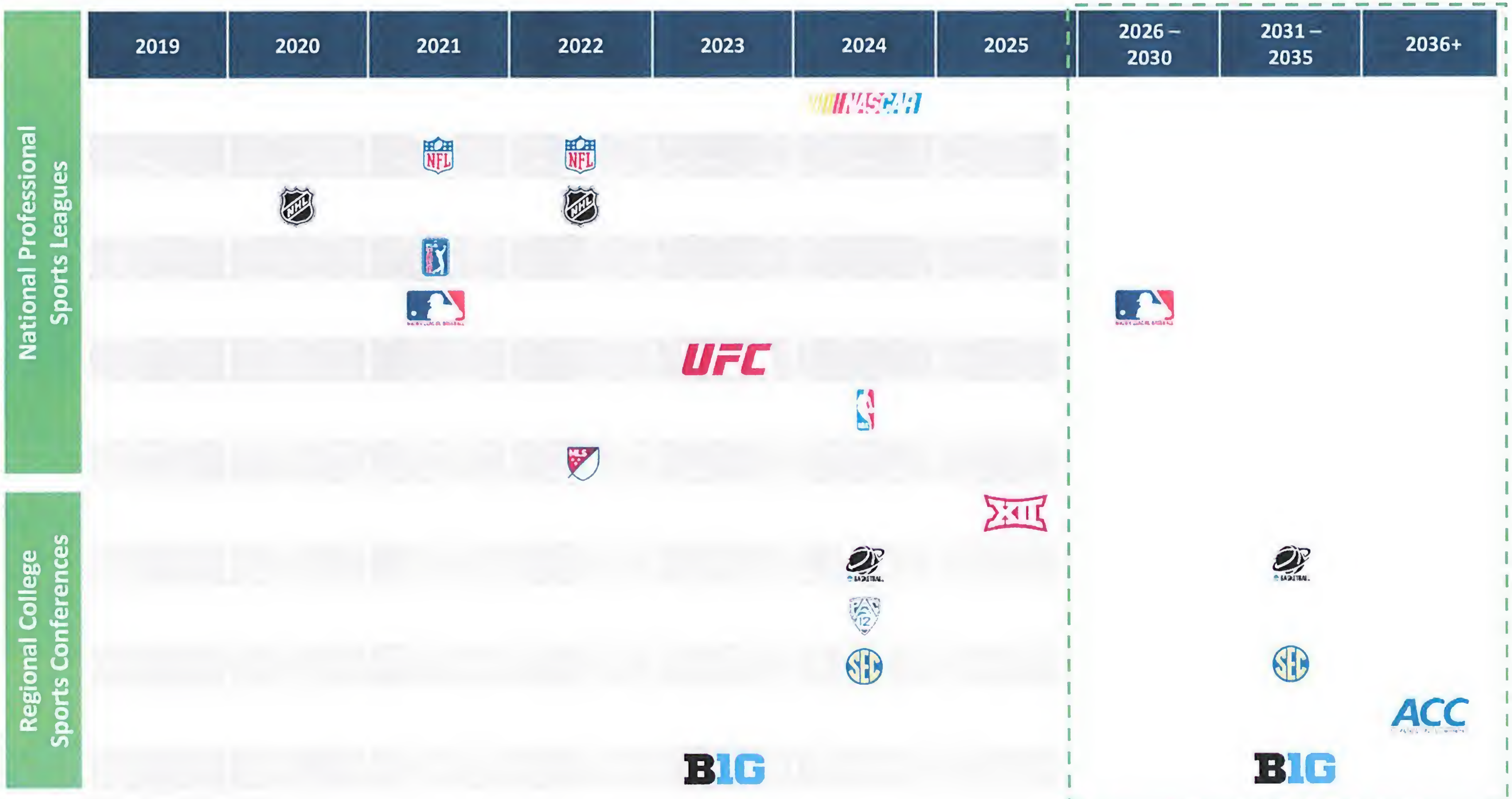
Note: Latest contracts as of September 2018, excluding digital streaming rights and conf. networks. AAV = average annual value. AAV growth is growth over previous contract.

II. Pac-12 Media Strategy Review

Media Rights Deals Run-Off

Tier 1 Events

Some of the most prominent major U.S. sports leagues have major Tier 1 rights deals approaching completion; however, 3 of the Power 5 Conferences are locked into lengthy contracts, considerably reducing their media rights option value



Source: Publicly available information.

[1]Represents total rights value including various other non-broadcast deals (Amazon, Verizon, DirecTV).

[2]Represents total rights value including BAM for live out-of-market streaming.

Pac-12 Media Strategy Review

Strategic Options

The Pac-12's primary goal should be retaining as much flexibility as possible in order to maximize value through the transformation of the media market; it is important to note that value does not equate to only monetary benefit, but also includes intangible benefits that are specific to the Pac-12

- *Flexibility ensures Pac-12 media is distributed on the most relevant platforms (broadcast, cable, direct-to-consumer, social , mobile, etc.)*
- *Flexibility through the de-coupling of rights, such as domestic vs. international, allows for future profit maximization*

	1 Wait	2 Renew	3 Strategic / Financial Partner
Description	▪ Waiting to evaluate options achieves the goal of retaining flexibility but does come with greater risks due to an uncertain future	▪ Maintain segmentation of rights between tier 1 media packages (currently distributed on traditional broadcasters) and remaining rights retained for Pac-12 Networks	▪ Contribute all media rights assets into NewCo, housing the revenue streams from tier 1 broadcast packages and the Pac-12 Networks ▪ Potential to include additional Pac-12 assets (e.g., licensing and consumer products rights) ▪ <u>Raise outside equity from strategic and financial partner(s)</u>
Benefits / Considerations	✓ Ability to see how changing media rights landscape evolves before locking into a long-term agreement ✓ Retain 100% control on decisions – Uncertain future economics × Continued near-term revenue gap with other Power 5 conferences × Likely continued lack of DirectTV distribution for Pac-12 Networks × Similar flexibility as aligning with a partner without the benefit of an immediate cash distribution × No option of upfront payment	✓ Potential for immediate revenue bump and potential for upfront payments ✓ Capture 100% of asset value creation via Pac-12N ✓ Still enables opportunity for asset value creation at existing Pac-12 networks, but with limited upside – Opportunity to solve for DirecTV distribution and provide additional scheduling flexibility as part of renewal process × Committing to traditional distribution partner(s) for the long-term as market undergoes unprecedented shakeup × May not maximize distribution over the long-term × Long-term equity value of standalone pay-TV channel unknown	✓ Likely to drive greatest overall value to Pac-12 ✓ Invested capital can be used for immediate distribution ✓ Accelerates equity value creation and sets ongoing valuation benchmark ✓ Equity alignment with strategic partner has potential to enhance economics or drive distribution goals – Aligning with partner and signing long-term deal with ESPN / FOX are not mutually exclusive × Asset value creation is shared with outside partner × Reduced flexibility on future decisions (e.g., management, path to liquidity for partner)

III. Pac-12 NewCo Opportunity

Creating Capitalized Value Using Sports IP

A Variety of Goals Can Be Achieved to Meet Your Objectives

There are a growing number of examples of sports leagues, teams and governing bodies pooling rights to create "capitalized value" or "equity value"

- **Increasing the commercial value of a specific sport in a geography**
  - *Example: MLS formation of Soccer United Marketing*
- **Maximizing the operational potential of a league in a geography**
  - *Example: NBA carving out NBA China entity*
- **Tangible value creation opportunity for leagues and team owners**
  - *Example: NY Yankees creation of YES Network*
- **Exploit new distribution channels and drive digital initiatives**
  - *Example: MLB formation of MLBAM*
- **Provide liquidity for league / team owners up front or over time**
  - *Example: UFC owners raising $125mm to fund dividend*
- **Attract top tier talent, incentivize and align management**
  - *Example: All of the above*

Examples

SUM

NBA China

YES

mlbam

UFC

Multiple

Capitalized Value Requirements

Investible Sports IP Assets Typically Have Certain Key Structural Elements in Common

Feature	Observations
Commercial Rights	▪ Content rights granted to NewCo over long-term ▪ 20 – 30+ years at minimum, more often 50+ years or perpetuity
Economics	▪ Clearly defined rules regarding payment to primary rights holder ▪ Fixed license fee, minimum guarantee, profit sharing, etc.
Security	▪ Perfected security interest in defined set of revenues ▪ Media rights fees, sponsorship revenue, etc.
Governance	▪ Professional governance with board of directors ▪ Fiduciary representatives of all shareholders
Liquidity	▪ Ability to exit or provide path to liquidity ▪ Financial investors will require as part of investment

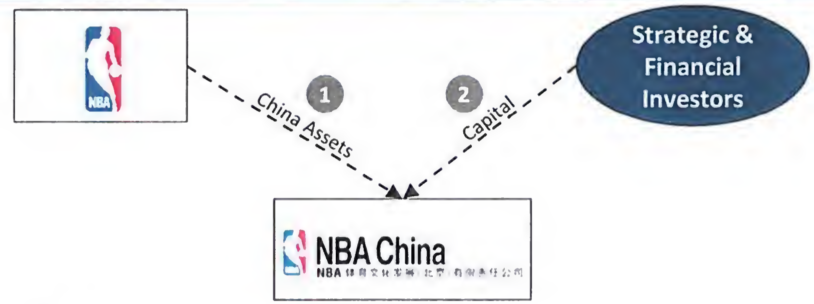
Case Study: NBA China

NBA China Leverages NBA Know-How and Expands China Presence

Transaction Summary

- On January 14th, 2008 the National Basketball Association (the "NBA") announced the formation of NBA China (the "Company") to consolidate its Chinese business assets into one single entity
- Five strategic partners invested a combined $253mm to acquire an 11% stake in the Company via preferred equity
  - Investment implied a valuation of ~$2.3bn for the Company ($77mm per NBA team)
  - Disney/ESPN acquired 5% and a consortium of Chinese investors acquired the remaining 6%, including Bank of China Group Investment, China Merchants Investments, Legend Holdings Limited and Li Ka Shing Foundation
- NBA China is governed by a Board of Directors that includes representatives of the strategic investors, current NBA owners and NBA executives

Summary Deal Structure

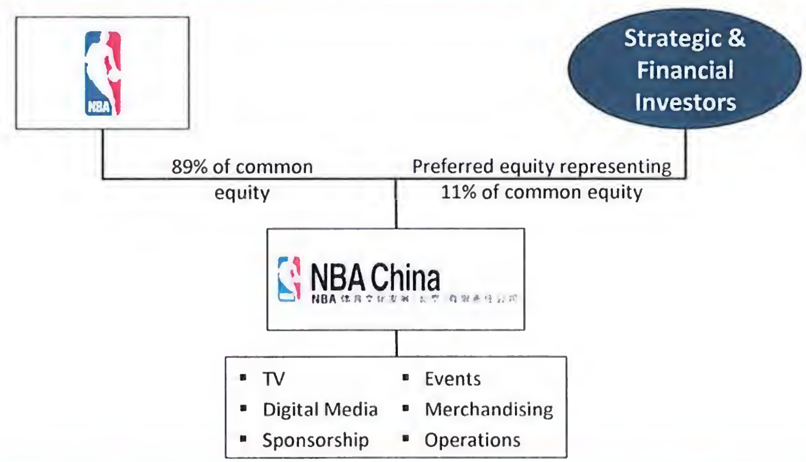


1. NBA contributed 100% of its Chinese assets to a newly formed entity ("NBA China") in exchange for common equity
2. Strategic and financial investors contributed $253mm to NBA China in exchange for preferred equity units representing 11% of the common equity

Transaction Rationale

- Capitalize on the growing popularity of basketball in China by consolidating the NBA's Chinese business assets into a single, focused entity
- Convergence of multiple China-specific factors made timing ideal
  - Economic growth and rapidly expanding urban middle class driving increasing demand for entertainment
  - Rapid development and expansion in key segments of digital media
  - 2008 Beijing Olympics and collaboration with Chinese government
  - NBA was generating substantial EBITDA in China
- External capital will allow the NBA to fully leverage its capabilities in China and take the business to the next level

Post-Transaction Structure



Source: Publicly available information and proprietary information.

Case Study: National Geographic Partners

Fox Invests in New JV to Commercialize National Geographic's Non-Profit TV Entity

Transaction Summary

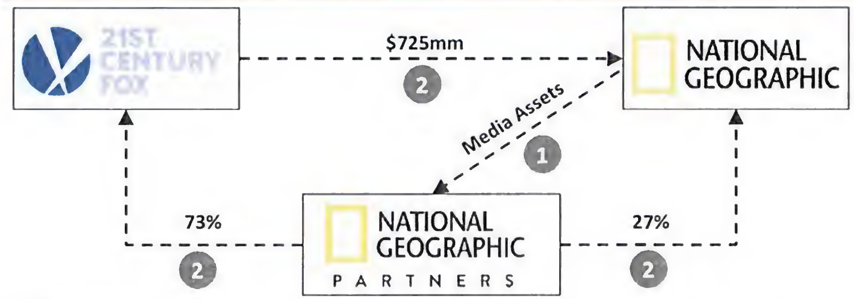
- In September 2015, 21st Century Fox ("Fox") paid National Geographic Society ("NGS") $725mm for a 73% equity stake in National Geographic Partners ("NGP"), a newly formed for-profit entity holding National Geographic's media assets
- Partnership separated the for-profit media assets from mission-driven society, which continued as a non-profit with an enhanced endowment of ~$1bn – roughly double the pre-deal endowment
- Post-deal Board governance split 50/50 between NGS and Fox, with Board Chairman alternating between the partners annually and NGS retaining a "super-vote" on brand-related issues

Transaction Rationale

- In the years leading up to the transaction, the financial performance of NGS's traditional media assets had struggled significantly
  - Print magazine revenue from membership dues and advertising declined at a 5% and 12% CAGR from 2011 – 2014, respectively
  - National Geographic Channel lagged competitors in subscribers, affiliate fees, and advertising revenue
- **The transaction was viewed as providing two primary benefits to NGS (1) upfront investment that would allow NGS to invest in it's philanthropic efforts and (2) align with a strategic partner with expertise to drive greater value creation using NGS's commercial assets**
- Increased control of NGS's brand / media assets allowed Fox to transform the programming of the Channel, globally expand the subscriber base networks, and diversify content across traditional TV and new digital media platforms

Source: Publicly available information.

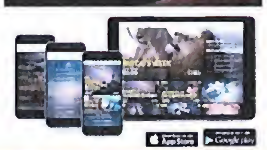
Summary Deal Structure



1. National Geographic Society contributed media assets to a newly formed entity ("National Geographic Partners") in exchange for common equity
2. 21st Century Fox paid NGS $725mm in exchange for 73% of the common equity in National Geographic Partners

Post-Transaction Developments

***National Geographic Society** able to fund two new education centers, expand scientific exploration programs, and open six new exhibits at National Geographic Museum in Washington, D.C.*



***21st Century Fox** developed new critically-acclaimed content, partnered with streaming platforms and launched mobile app to increase digital footprint, and invested in interactive media technologies (e.g., virtual reality, augmented reality, etc.) to significantly improve the positioning of National Geographic Partners in the rapidly evolving media landscape*

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STATS

Case Study: STATS

Fox and the Associated Press form STATS, Becoming 50% Equal Partners

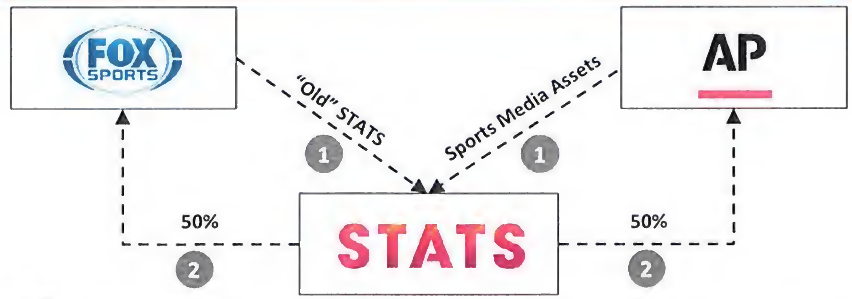
Transaction Summary

- Founded in 1981, STATS is a leading sports technology, data, and content company, providing real-time scores, historical sports information, and specialized technology for tracking, viewing and analyzing sports
- Fox Sports ("Fox") acquired the Company in 2000 to create sports data content for its digital platform
- In 2005, Fox and the Associated Press (a not-for-profit news cooperative) formed STATS LLC, with each party holding 50% ownership in the Company

Transaction Rationale

- Historically, the Associated Press was the primary source for breaking sports news, providing 24/7 coverage for the NFL, MLB, NBA, NHL, NCAA, and all other major sports
- The AP was also a leader in global sports photography for all major leagues
- The STATS JV with Fox presented an opportunity whereby the AP could monetize its existing wide-reaching pool of resources in sports news and reporting
- The AP entered into a bi-lateral agreement with STATS:
  - STATS's editorial department received access to the AP's library of articles, headlines, game recaps, and photos for its client base
  - In turn, STATS supplied the AP with its various data and content services, which the AP could leverage via its media outlets
- Ultimately, the AP was able to both monetize its content and receive distributions from the JV entity

Summary Deal Structure



1. Fox contributed the "Old" STATS entity (acquired in 2000) while the AP contributed all of its Sports Media Assets to the newly formed JV
2. After the merger, Fox Sports and the AP each owned 50% of STATS LLC

Post-Transaction Developments

Key Operating Milestones

*Between 2005 and 2014, **STATS tripled its revenue** and diversified further into sports tech, ultimately being named one of Fast Company's **50 most innovative companies in the world** in Feb. 2014*

Sale to Vista Equity Partners

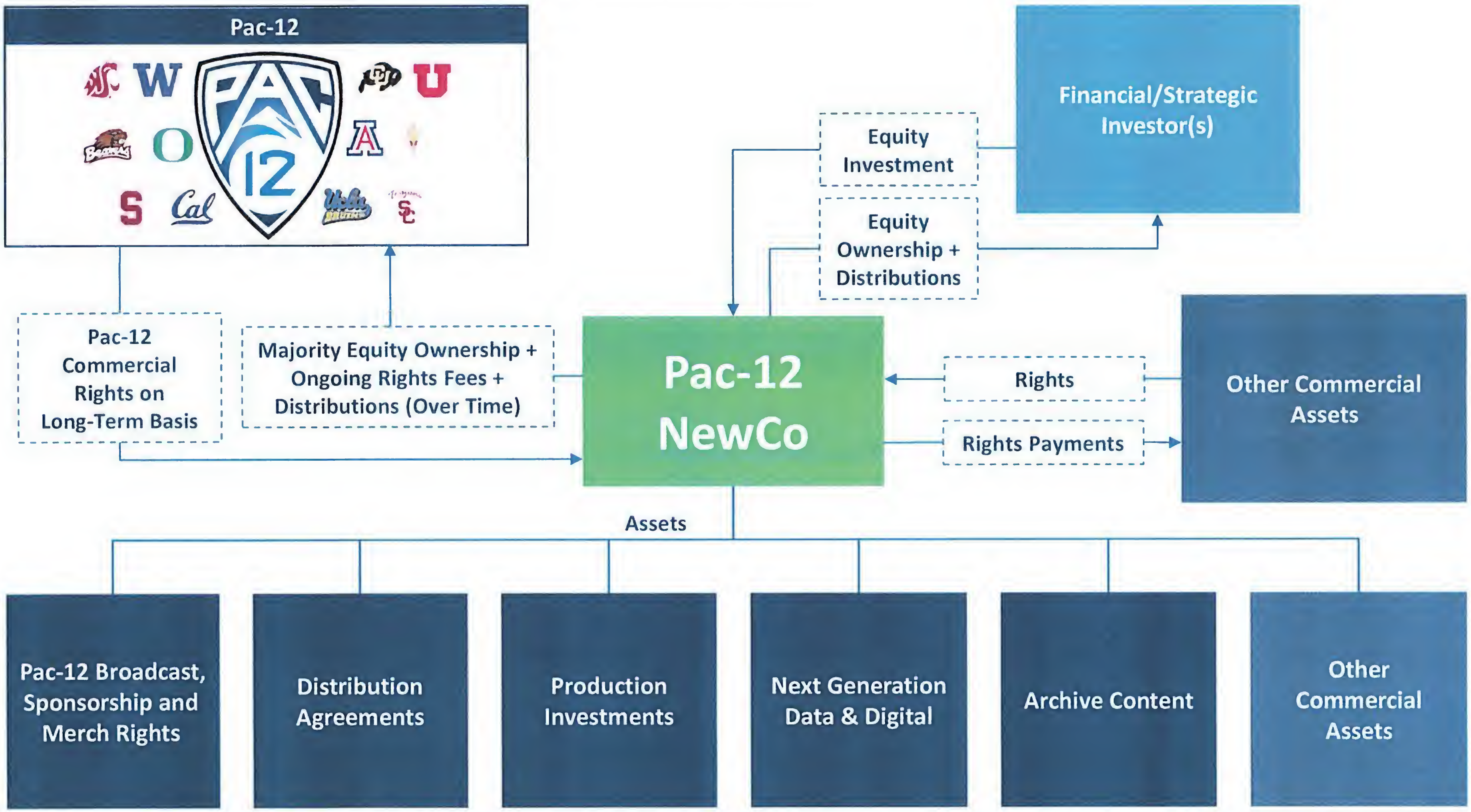
*On May 15, 2014, **Fox and the AP announced an agreement to sell STATS to Vista Equity Partners at a value of ~$200mm.** The AP and Fox continued their commercial agreements after the transaction, and the AP leveraged sale proceeds partly to reduce its pension funding obligations and focus on investing in its newsgathering operations*

VISTA

Source: Publicly available information.

Simplified Pac-12 NewCo Structure

- Pac-12 NewCo to raise 3rd party capital to fund business plan and potential acquisition of 3rd party commercial assets
- Pac-12 to hold super voting shares to ensure ongoing operational controls



Key Structure Considerations

Business Terms with Primary Rights Holders

Value ascribed to NewCo will be impacted by the business terms between Pac-12, NewCo and other college sports rights holders

	Description	Examples
1 Term	▪ Current Pac-12 media rights deal with ESPN / ABC and Fox runs through 2024 ▪ Longer fixed terms between Pac-12 and NewCo increase business certainty ▪ Length of term will impact valuation (30+ years, potentially perpetual, or something in between)	MSG Networks (20 yr.) NBA China (Perpetual) Short-term (20 - 30 Years) ⟷ Long-term (100+ Years)
2 Rights Fee	▪ License fee influenced by annual cash flow needs of primary rights holders ▪ License fee structure creates certainty of income to primary rights holders, usually with contractual escalators; trade-off is lower equity valuation ▪ Straight profit share or standard equity structure creates higher valuation on equity	YES (Fixed Fee + Escalators) NBA China (Equity) Fixed Fee ⟷ Profit Share / Equity Structure
3 Ownership	▪ Initially owned 100% by core rights holders ▪ Ability to raise third-party investment from financial partners ▪ By establishing NewCo as the preeminent commercial company for college athletics, additional rights could be acquired on a commercial basis without diluting equity ownership	LEGENDS ▪ Owners (Yankees/Cowboys) comprised initial service agreements ▪ Additional service arrangements (e.g. 49ers) secured on a commercial basis

Key Structure Considerations (cont.)

Business Scope & Proceeds

Strategic investors will bring industry expertise but may not be 100% aligned on maximizing rights value (vs. financial). 3rd Party ownership levels will be dictated by the capital needs of the primary rights holders and potential growth initiatives

	Description	Examples
4 Business Scope of NewCo	▪ Broaden rights package ▪ Value enhancement driven by ability to assemble additional rights and market opportunity ▪ All commercial rights from Pac-12 and other properties / events would create heightened investor interest (e.g. streaming, data, enhanced data, etc.)	NBA China (China Geography) DORNA (Global Motorsports) Limited ⟷ Broad
5 % Sold / Money Raised / Exit	▪ Quantum of upfront capital required to fulfill immediate needs of constituents and any required primary uses ▪ Size of 3rd party investor position (e.g. minority or majority ownership) ▪ Ability to exit / path to liquidity	NBA China (11% Minority) Formula 1 (100% 3rd-Party Owned) Minority ⟷ 100% Ownership
6 Use of Proceeds / Primary vs. Secondary	▪ Potential primary uses – Production capex – Acquisition of additional rights – Owned distribution opportunities ▪ Secondary – upfront cash provided to primary rights holders	NBA China ▪ ~$250mm raised for 11% stake of NBA China (participating preferred structure) ▪ ~$2mm paid to each of 30 teams ▪ Remaining capital left in China business to invest, acquire companies, hire and incentivize management

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Key Structure Considerations (cont.)

Management Team / Governance

Rights holders have largely retained governance in precedent transactions, establishing incentivized management teams to drive the NewCo valuation

	Description	Examples
7 Management /Governance	▪ NewCo structure allows for equity instruments, which creates significant financial incentive and allows pursuit, alignment and retention of top talent ▪ In a minority sale, primary rights holders can retain key governance over operating decisions (subject to minority protections)	NBA China ▪ NBA retained super-voting stock and recruited a dedicated local management team

Appendix – Capitalized Value Case Studies

Case Studies

YES Network and MSG Networks

Case Studies

YES Network: Formed in 2001 with the Yankees, Nets (NBA) and financial investors (Goldman Sachs and Providence Equity); since sold a majority position to Fox

- ***Deal:*** NY Yankees and Brooklyn Nets contributed IP and entered a 20-year+ rights deal with the newly formed Network; both teams received cash and a minority equity position in the network
- ***MLB Revenue Sharing 'Tax':*** A primary catalyst for the decision, Yankees were attempting to avoid the large-market MLB 'tax' by shifting value to equity distributions instead of 'rights fees'
- ***RSNs:*** This structure has been replicated multiple times since the YES deal, creating billions of dollars of new asset value across the US
- ***Term:*** 30-40yr+ license from the team to the RSN for the use of all content in the local market; team receives a 'market' rate license fee along with annual escalators over the term
- ***Structure/other:*** Formation of YES was a completely new entity at the time with no distribution and no management team. A novel risk taken by the team paid-off in the creation of an asset worth $2bn+.
- ***Why it is investible:*** Very long-term license deal with the Yankees and Nets, independent management team, typical board, clear ability to exit the investment and create a financial return

MSG Networks: In October 2015, the Madison Square Garden Company announced the successful completion of the separation of its Sports & Entertainment businesses (Knicks, Rangers, Liberty, Madison Square Garden venue, Radio City Music Hall, the Forum, the Chicago Theatre) from its Media business (MSG Network, MSG+ Network) to be known as "MSG Networks"

- ***Deal:*** The Madison Square Garden Company will provide the exclusive media rights to MSG Networks for the Knicks and the Rangers for $100mm and $30mm, respectively, with annual escalators
- ***Term***: 20-year exclusive rights to Knicks and Rangers; certain rights to match third party offers following the term of the agreement
- ***Structure:*** MSG Networks was spun-off with a target leverage ratio ~5.0x with the proceeds of the debt being contributed to the Madison Square Garden Company
- ***Commentary:*** Goal was to illuminate value in MSG by creating two distinct, focused companies for public investors
- ***Why it is investible:*** Long-term license deal with the Knicks and Rangers, independent management team, typical board, liquid stock that shareholders can monetize

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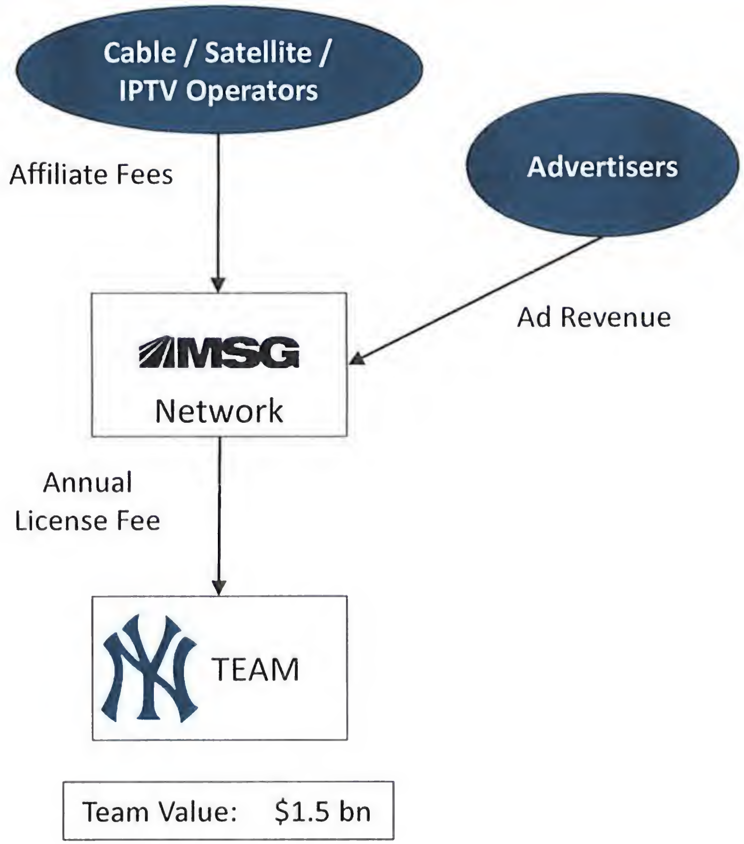
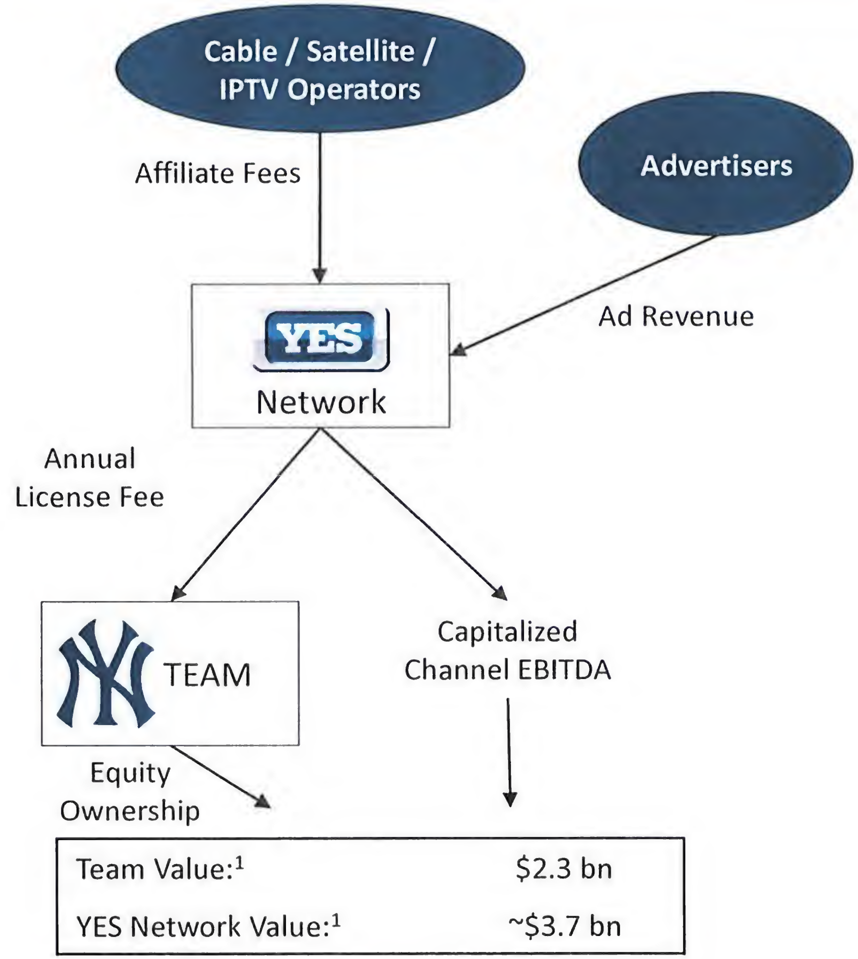
Case Study: YES Network Structure

YES Network Now Valued Far in Excess of the Yankees

Pre-YES Network



Post-YES Network



[1] *Represents Yankees 2013 Forbes valuation as of January 24, 2014 when FOX acquired 31% of the YES Network to bring total stake to 80%. YES Network's implied valuation of ~$3.5bn.*

Case Studies: Formula 1 Racing and Dorna Sports

Case Studies

Formula 1 Racing (Private League): Formula One was originally formed via 100-year buyout of commercial rights

- ***Deal:*** Bernie Ecclestone acquired rights for F1 to manage all commercial activities for the Grand Prix of Motorsports; subsequently sold to CVC and other investors
- ***Term***: 100 years
- ***Structure:*** FIA governs the sport, and ongoing economics are split between FIA, teams and F1
  - F1 pays an annual regulatory fee to FIA
  - F1 pays increasing share of F1 EBITDA to the F1 teams, in accordance with the Concorde Agreement
- ***Economics:***
  - After operating costs and payments to FIA and teams annually, F1 generates $500m+ in cash flow
  - This financial profile is what created equity value in sale to Liberty Media for ~$8bn
- ***Why it is investible:*** Fully defensible and long-term contract with the FIA to run the series, CVC or other future shareholders can buy and trade the asset freely; while teams have economic power, that goes to equity valuation more than ability to create equity value

Dorna Sports (Private League): Originally formed by Banco Banesto as the exclusive holder of all commercial and TV rights to the Moto GP World Championship

- ***Deal:*** Banco Banesto sold Dorna to CVC in 1998; subsequently sold to Bridgepoint in 2006 to alleviate competition concerns over CVC ownership of Formula 1; CPP acquired a 39% stake in 2012
- ***Term***: 30 years at time of Bridgepoint acquisition (2036, rolling forward annually)
- ***Structure:*** FIM governs the sport, and ongoing economics are split between FIM, teams and Dorna
  - Dorna pays a fixed annual regulatory fee to FIM adjusted with 3% yearly inflation
- ***Economics:***
  - After operating costs and payments to FIM and teams annually, Dorna generates $110m+ in EBITDA
  - Equity value at time of CPP acquisition of 39% stake was greater than $1.3bn
- ***Why it is investible:*** Shorter length of contract with FIM reduces equity value inherent to business, although Dorna has flexibility to further develop and expand the MotoGP and its commercialization

Case Studies: Spirits of St. Louis and Legends

Case Studies

Spirits of St. Louis: In 1976, the NBA and ABA merged, and four ABA teams were disbanded. Instead of taking a lump sum payment at the merger, one team, the Spirits of St. Louis, chose to receive a 1/7th share of the Nets, Pacers, Nuggets and Spurs leaguewide media revenues, forever

- ***Deal:*** Recently, the NBA settled this ongoing commitment with the Spirits via a $600m+ transaction to buyout all future rights accruing to the Spirits; the transaction was financed in large part by a 20yr+ securitization of the 1/7th cash flow in question.
- ***Term***: Perpetuity (original deal); 20 – 30 yrs (recent debt deal)
- ***Structure:*** The buyout and debt financing was treated like a mortgage-style amortization of a home loan, consistent with typical right securitization structures. The cash from previously being paid to the Spirits will now be paid to the banks for 20 – 30 years, after which the revenue will revert back to the Nets, Pacers, Nuggets and Spurs
- ***Commentary***: Rights securitizations in the sports world can be highly-leverageable
- ***Why it is investible:*** Long-term securitization will be governed by very specific bank covenants, and the League / banks structured certain protections in event of strike/lockout

Legends Hospitality Management: Founded in 2008 with focus on operating catering, concessions, retail merchandising and other facility management enterprises for major sports and entertainment facilities

- ***Deal:*** Formed through a partnership between the NY Yankees, Dallas Cowboys, Goldman Sachs and CIC Partners
- ***Term***: 5 years at commercialization
- ***Structure:*** At founding, the Yankees and Cowboys each owned 34.4%, Goldman Sachs owned 22% and CIC Partners owned 10%
  - Initial valuation of ~$200 million
- ***Economics:***
  - Raised ~$125 million, including $105 million in debt, to fund dividends to the Yankees and Cowboys
  - In January 2012, CIC Partners sold its 10% equity stake to Checketts Partners Investment Fund, with Dave Checketts becoming the CEO
- ***Why it is investible:*** Granted exclusive right to operate concessions and merchandising at the Yankee and Cowboy stadiums with two 5-year renewal periods; owners used proceeds to build-out their respective stadiums' concessions and merchandising businesses; shorter length of contract reduces equity value inherent to business

Bentson, Teri J - (terim)

From: Andy Doraiswamy <andyswamy@gmail.com>
Sent: Friday, October 12, 2018 8:25 PM
To: Robbins, Robert - (rcr536)
Subject: Re: Andy Doraiswamy/Lymphedema newco.

Hi Bobby,
Was good catching up with you in SF.
Per our chat, just checking in to see if you would be interested in being part of the advisory group for my newco. Completely understand if time is not our friend.
Cheers
Andy

https://www.linkedin.com/in/adoraiswamy/

Bentson, Teri J - (terim)

From: Robbins, Robert - (rcr536)
Sent: Thursday, March 21, 2019 3:49 PM
To: Paul August
Cc: Base Horner (base@VENTCAPLLC.com); David Perry; David Smallhouse; Fletcher McCusker; Garry Brav; Matthew Lingard; nsimon@venturewest.com; Tasto, Joe; Thomas Koch; Joe Snell; Pete Bantock
Subject: Re: OVIL - Please Vote on new BOD members

Yes

Robert C. Robbins, M.D.
President
University of Arizona

Executive Office of the President
1200 E. University Blvd.
Old Main, Room 200
Tucson, AZ 85721
520-621-5511

rcr536@email.arizona.edu
www.arizona.edu

Sent from my iPhone

On Mar 21, 2019, at 1:42 PM, Paul August <paugust@icagen.com> wrote:

> Hi All
>
> Could you please vote on the candidates today? I need 7 more votes inthe affirmative to confirm their nomination.
>
> Thanks
>
> Paul
>
> Paul R. August, PhD
> Vice President , ICAGEN
> 2090 East Innovation Park Dr
> Oro Valley, Arizona 85755
>
> (C) 617-230-6382
> (O) 520-544-6827

From: Paul August
Sent: Thursday, March 21, 2019 8:30:56 AM
To: Base Horner (base@VENTCAPLLC.com); David Perry; David Smallhouse; Fletcher McCusker; Garry Brav; Jacobs, Mary; kfwertman@gmail.com; Kissy Black; Matthew Lingard; nsimon@venturewest.com; Ray Woosley; Tasto, Joe; Thomas Koch; 'Robert Robbins'; 'Joe Snell'; 'Pete Bantock'; Nina Ossanna (nossanna@pharosdx.com)
Cc: Lisa Bender; Anita Bell (anitab@azinnovation.com); Johnston, JJ; Castro, Veronica R - (vcastro)
Subject: OVIL - Please Vote on new BOD members

Dear OVIL Board of Directors,

As you may know there is no meeting this month due to challenging schedules. The next meeting will be on April 10th at the Oro Valley Town offices at 11:30 AM. Since we are not meeting this month we would like to take care of some business for OVIL online this month.

We have nominations from the executive committee to add two additional board members to the Board of Directors. These nominations are for individuals who have had a significant impact on our the life science and entrepreneur community as well as donated technical supported for our operations. The executive committee would like to nominate

1. Sharon Hesterlee, PhD (CEO, Lion Therapeutics)
    a. Formerly with MDA in Tucson, she started their venture philanthropy program and was at Pfizer and now is the CEO of a gene therapy company.
2. Lawrence M. Hecker, JD Hecker PLLC
    a. Strong supporter of the local Tucson entrepreneur environment and legal expert in newco formation.

Please find supporting materials for their nominations attached. If you could please respond to this e-mail and provide your vote on these nominations as soon as possible it would be appreciated. We need more than 13 votes to make it official so that we may invite them to the April 10th meeting as members of the BOD.

On another note we have been making great progress on the fundraising efforts. We continue to have strong support from the community and service providers to help reach our goal. We have some great news that we will look to announce at the meeting on April 10th.

Best Regards,

Paul

PS. There will likely be an article in the Tucson Daily Star about OVIL on Sunday with your names mentioned as members of the BOD. If there is anything that you feel should be highlighted please reach out and let me know. This will be the first major mention of the project in the media. Thanks to Kissy Black and her team so much for getting our online presence rebranded with our new identity and website.

www.OVIL.org

PSS. Kudos to JJ and Mary last night at the Oro Valley Town Council. They did a great job on the Economic Development Plan for OV and JJ's presentation was well received. There was a lot of support from the town council for OVIL and our collective efforts to drive economic development in the life science sector!

Paul R. August, PhD
Vice President, ICAGEN
Tucson Innovation Center
2090 East Innovation Park Drive
Tucson, Arizona 85755
<image001.png>
2090 E Innovation Park Drive - Oro Valley – Arizona 85755
TEL.: 520.544.6827 - CEL- 617-230-6382 - FAX.: 520.544.6805
e-mail : paugust@icagen.com

Bentson, Teri J - (terim)

From: Andy Doraiswamy <andyswamy@gmail.com>
Sent: Wednesday, August 15, 2018 8:45 PM
To: Robbins, Robert - (rcr536)
Subject: Re:
Attachments: Rishi.jpg

Prez Robbins,
It was very nice getting to spend some time together. Very glad UofA has you as our leader. Feel free to ping me at this email or my cell: [redacted] if I can be of any help.
Also, would love to tell you more about the newcos. the next time we meet.
Cheers
Andy

Bentson, Teri J - (terim)

From:	Larry Scott <lscott@pac-12.org>
Sent:	Monday, March 25, 2019 4:51 PM
To:	Robbins, Robert - (rcr536); Dr. Michael M. Crow; Carol Christ; Philip P. DiStefano; Michael H. Schill; Edward Ray; Marc Tessier-Lavigne; Gene Block; Wanda Austin; Ruth Watkins; Ana Mari Cauce; Kirk Schulz
Subject:	Updates
Attachments:	Pac-12 Letter March 25 2019.pdf; Letter from Senators - 2.7.19.pdf; Pac-12 Media Strategy - SBJ March 25.pdf

Dear CEO Group,

The purpose of this note to update you on three Pac-12 topics.

[redacted]

2) Recent Media Coverage on Raine Exploration - Second, I wanted to share a brief update on media coverage around our media rights strategy exploration with Raine. Sports Business Journal reported some of the confidential details of our exploration last week, and it updated the story today (see attachment) with details about us turning down a recent ESPN proposal. As you remember from our November CEO meeting, we were aligned in the firm belief that we will maximize the value of our media rights and new opportunities by keeping control of our rights as we enter the market in 2023-2024.

[redacted]

Best regards,

Larry

--
Larry Scott
Commissioner
Pac-12
360 3rd St., 3rd Floor

San Francisco, CA 94107
direct 415-580-4201
lscott@pac-12.org
pac-12.com

[redacted]

Larry Scott
Commissioner

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Pac-12's big gamble on distribution
Conference rebuffed ESPN offer, now seeking $750M investment in effort to keep up
By John Ourand and Michael Smith, *Sports Business Journal*
March 25, 2019

The Pac-12 Conference rejected an offer from ESPN to partner on the Pac-12 Networks, a deal that substantially would have boosted the distribution outlook for the underperforming channels, several sources say.

The conference's board of presidents and chancellors turned down what sources described as a credible offer that would have seen ESPN take over distribution of the networks. As part of the arrangement, ESPN would have extended its rights fee agreement with the conference well into the 2030s.

ESPN executives Justin Connolly and Burke Magnus met multiple times with Pac-12 Commissioner Larry Scott on the proposal before the conference ultimately passed on it late last year. The main reason, sources say, is that the conference didn't want to miss out on a potentially huge media rights fee increase during the next round of TV negotiations. The conference also didn't want to cede its full control of the networks.

Sources say that ESPN went through with the pitch even though the Bristol-based executives realized their gambit was a long shot. For years, Pac-12 officials have circled 2024 as the date when they expect to see a big revenue jump. That's when ESPN and Fox Sports' rights deals, worth a combined $3 billion over 12 years, come to an end. Conference officials have said they are hopeful multiple new bidders will emerge that have the potential to create a bidding war and push rights fees even higher.

In addition to TV networks ESPN, Fox, NBC and CBS, digital companies such as Amazon, Google and Facebook could be ready to step up and make legitimate bids by 2024. Amazon increasingly is dabbling in the sports market, including making a significant investment in YES Network.

It's long been the dream of leagues and conferences that a deep-pocketed digital media company like Amazon will start to bid on sports rights. If digital companies get serious about entering the sports business, conferences like the Pac-12 want to have control over all their rights when these new bidders come to the negotiating table.

ESPN's offer was predicated on the idea that its networks are the home for college sports. It already runs a profit-making college conference network — SEC Network. Even the ACC Network, which also is fully owned by ESPN, will launch this August with a better distribution footprint than the Pac-12 Networks, which launched in 2011. For example, the ACC Network will launch on DirecTV, a distributor that has refused to carry Pac-12 Networks and one reason why the channels are stuck at 18 million households. The ESPN agreement would have included carriage on DirecTV, sources said.

After the Pac-12 rejected ESPN's bid, the conference embarked on a plan to find investors to provide additional financial support for its schools. When Scott met with the Pac-12's board in November, they began with a plan to seek $500 million. As the plan matured with the help of its banker and adviser, Raine Group, the conference's investment ask grew to $750 million by the time it sent official bid books to potential investors earlier this month.

The Pac-12's attempt to attract investors is unprecedented in college athletics and represents a bold step by Scott to create more revenue for the schools. The conference is facing considerable headwinds given the underperformance of the networks combined with the lack of on-field success. The Pac-12 has missed out on the College Football Playoff two straight years. It placed just three men's basketball teams in this year's NCAA Tournament.

Conference officials hope that finding the right strategic partner and getting an infusion of cash will reverse those trends.

Scott has said that his primary motivation is to identify a strategic partner that could help with monetization of its media rights and distribution of the Pac-12 Networks. His secondary motivation is to secure an infusion of cash for the schools, who have fallen behind their power five brethren, financially and competitively. The conference paid out $30 million to each school last year compared to more than $50 million in the Big Ten.

The $750 million investment will buy the investors a percentage of NewCo, the conference's media holding company that will house all of the conference's media rights and the Pac-12 Networks. NewCo reported an EBITDA of $286 million last year, according to information in the bid book. The Pac-12 and potential investors will have to agree on what percentage of NewCo the $750 million will buy.

From that $750 million, the conference will distribute $700 million to its 12 member institutions, or $58.3 million per school to be used for athletics. The conference will put the other $50 million toward NewCo.

In addition to managing the conference's media rights and channels, NewCo could invest in businesses and other opportunities, like acquiring additional rights. It would be set up as a well-capitalized media company.

Among details outlined in the bid book, according to sources:

- Investors are required to make a 25-year commitment.
- A minimum investment of $100 million is required for individuals in an investment group.
- Investments are expected to be paid up front. The Pac-12's book did not detail a specific rate of return. The investor would own a share of NewCo to be determined and participate in the profits as an equity investor. The expectation, sources said, is that NewCo eventually would be sold and the investor would benefit, but there are no guarantees.

Terms of an investment could vary from one investor to another depending on the value the investor brings as a strategic partner.

Neither the Pac-12 nor ESPN would comment.